

MBOH 101

**Working with Montana's network of
lenders and realtors to help more
families buy homes,
and keep them there**

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www.housing.mt.gov



How it works - - - -

- MBOH is a state agency
- Board is appointed by the Governor
- Receives *no state or federal funding*
- MBOH sells tax exempt bonds
- MBOH buys loans from Montana lenders

How can MBOH help me close more loans?

1. MBOH loans have low rates - -

Buyers purchasing power goes farther

2. MBOH loans have low fees - -

Less cash required at closing

3. MBOH has statewide partnerships - -

Bridge the affordability gap



Programs offered by MBOH

1. Regular Bond Program (MRB)
2. Mortgage Credit Certificate Program (MCC)
3. **Setaside** (Recycled Funds) Program
4. MyMontanaMortgage (MMM)
5. Reverse Annuity Mortgage (RAM)

Federal guidelines

1. Purchase Price Limits
2. Income Limits
3. First-time home buyer requirement
4. Owner-occupancy requirement
5. Business/Investment Use guidelines
6. Potential for Recapture Tax
7. New Loan Requirement

Purchase Price and Income Limits

Changes year to year –

Purchase prices currently are either \$200,160 or \$237,132 depending on program

Income limits currently range from \$48,600 to \$75,320, based on household size and location

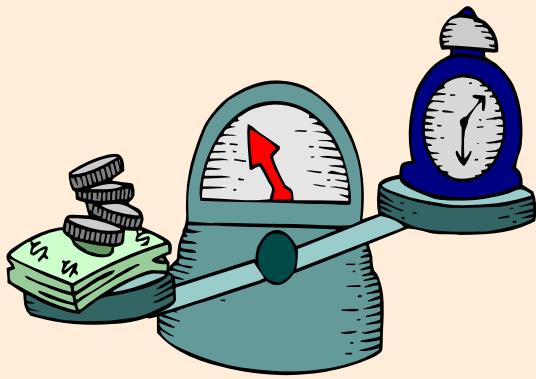
2007 Purchase Price and Income Limits

http://housing.mt.gov/Hous_BOH_SF_Apps.asp

First-Time Home Buyer

- ◆ Three-year rule
- ◆ Exceptions
 - ◆ Manufactured homes (personal property)
 - ◆ Targeted areas
- ◆ Signed federal tax returns

Owner-Occupancy



Life of loan

Rental Waiver

MBOH loans support home ownership

eligible properties include:

- ❖ Single Family home
- ❖ Condominium
- ❖ Townhouse
- ❖ Manufactured home/land

MBOH loans

support home ownership, not business or investments

Ineligible properties include:

- ❖ Duplex, Triplex, Quad
- ❖ Basement, Garage, Attic apartments
- ❖ Trailer pad
- ❖ Excess property
- ❖ Home office/shop – over 15% usage
- ❖ Personal property

NO Recapture tax will apply unless all three occur:

1. Sell your home in the first 9 years **AND**
2. Have a large net gain on the sale **AND**
3. Have a substantial increase in income

We estimate that fewer than 5% of Montana households would reach the incomes levels that would trigger such a tax

**If your buyer uses
an MBOH loan, closed after
May 8, 2006
and later owes recapture tax,
we will refund their money.**

No kidding.

Terms & Conditions of Single Family 2006 Program

- 5.75% interest rate ****changed 1-18-2007*****
- 30-year fixed rate loan
- NO prepayment penalty
- NO origination fee
- NO discount points

**2% fees paid to
lender by MBOH!**

http://housing.mt.gov/Hous_BOH_SF_Apps.asp

Loan Guarantees & Insurance

- FHA
- VA (full eligibility required)
- RD (MBOH down payment required)
- Conventional
 - Genworth HomeOpeners' Monthly Plus
 - MGIC Program #1967
 - Deep Equity

Manufactured Homes

Permanent foundation

De-titled

Form 7 on Title Insurance

FHA/VA – meet appraisal criteria

RD – new only, from approved dealer

Foundation engineered both site- and home-specific

Genworth/MGIC – Double-wide or larger

MBOH Guidelines

- Hazard insurance - \$1,000 deductible
 - Flood coverage - \$750 deductible
- 35% land-to-value rule

http://housing.mt.gov/Hous_Newsletter_Subscription.asp

Steps to process an MBOH loan

http://housing.mt.gov/Hous_BOH_SF_Apps.asp

- Reserve a loan with MBOH
 - Fax
 - One Page Reservation Form
 - Fax Cover sheet
 - Lender on line
- Close loan (using MBOH docs)
- Submit package to MBOH for purchase

Bond Program Documents

http://housing.mt.gov/Hous_BOH_SF_Apps.asp

- Income Determination Guide
- Lender Online Submission Voucher
- Lender Online Submission Details
- Uniform Rider to Trust Indenture

Bond Program docs continued

- Early Delinquency Counseling
- Mortgagor Affidavit
- Seller Affidavit
- Recapture Notices
 - Recapture Notice to Mortgagor
 - Notice to Compute Recapture Tax

Mortgage Credit Certificates

Offering Three benefits
To Homebuyers



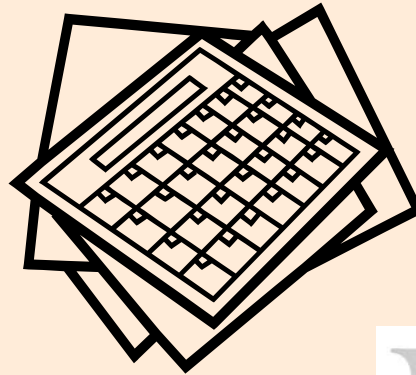
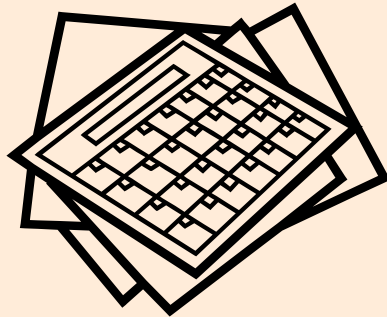
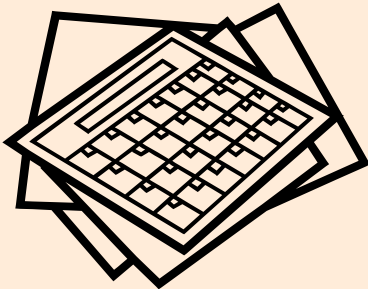
Benefits

1. 20% of mortgage interest paid each year converts to a Federal income tax credit
 - Remaining 80% of mortgage interest still available as an itemized deduction
2. Increase take-home pay
3. Valid for life of loan, if owner-occupied

****All for a one-time \$400 fee****

Example

- ❖ **\$100,000 at 6% = \$6,000 interest first year
(20% = \$1,200)**
- ❖ **Amend W-4 = increase take-home pay \$100/mo**
- ❖ **Valid for life of loan**
- ❖ **Any loan type, any term (except MBOH)**
- ❖ **Unused credit carry-forward up to 3 years**



How to use the tax credit to qualify for more home (6% - 30 year fixed rate loan)

Loan amount	P&I	1 st year interest	MCC amount @ 20%	Monthly benefit	Additional qualifying @ 29%	Additional loan @100% (FNMA)
\$100,000	\$599.55	\$6,000	\$1,200	\$100	\$4,800	\$16,600

Steps to process an MCC loan

http://housing.mt.gov/Hous_BOH_MCC.asp

- Reserve a loan with MBOH
 - By Fax – Application for MCC Reservation
 - Lender on line
- Close loan (using MCC docs)
- Submit package to MBOH for certificate
 - If reserved by fax – Application for MCC Issuance
 - If reserved LOL – MCC LOL Submission Voucher

MCC Documents

http://housing.mt.gov/Hous_BOH_MCC.asp

- Submission vouchers
- Mortgagor & Seller's Affidavits
- Recapture notices (not refundable)
- Tax returns
- ~~Uniform Rider~~

Setaside Program

bridge the affordability gap

MBOH provides first mortgage for amount the borrower qualifies for (5.25%)

*****FHA/VA/RD*****

Partner provides balance of funding

- amortizing or deferred
- Shared appreciation agreement

Home Buyer Education <http://nwmt.org/>

Setaside loan Terms & Conditions

http://housing.mt.gov/Hous_BOH_SF_Apps_specdocs.asp

- City of (Billings, Helena, Lewistown, Missoula, etc)
- Disabled Accessible Affordable
- HUD/Indian Housing Loan Guarantee Program
- NHS MT Homeownership Network
 - NHS Trust Indenture
 - NHS Rider

Steps to process a Setaside Loan

http://housing.mt.gov/Hous_BOH_SF_Apps.asp

- Qualify loan through MBOH partner
- Reserve a loan with MBOH
 - Fax –
 - One Page Reservation Form
 - Fax Cover sheet
 - Lender on line
 - Special Criteria
- Close loan (using MBOH docs)
- Submit to MBOH for purchase



MyMontanaMortgage ***(MMM)***

**Combine MBOH interest rate (5.5%)
with Fannie Mae expanded underwriting
Using Fannie Mae
*MyCommunityMortgage***

*****Homebuyer education required*****

http://housing.mt.gov/Hous_BOH_SF_MMM.asp

***MMM* loans must meet all 7 federal requirements**

1. Income limits
2. Purchase price limits
3. Owner-occupancy
4. First-time homebuyer rule
5. Recapture Tax notices (not refundable)
6. 15% business use
7. Purchases – not refinances

MMM Eligible Home buyers

Community HomeChoice - Disabled

Section 8 for HomeOwnership

Native American

Community Solutions

- full-time employees of public or private schools
- Employees of law enforcement agency,
fire department or other sworn function
- certified, accredited or licensed health care
workers

Steps to process an *MMM* Loan

- Reserve a loan with MBOH
 - MyMontanaMortgage Reservation Fax cover sheet
- Close loan (using MBOH docs)
- Submit package to MBOH for compliance review
- MBOH faxes compliance approval to lender
- Submit loan to USBank for purchase

***MMM* loans documented same as regular MBOH loans**

1. Buyer & Seller Affidavits
2. Uniform Rider
3. Tax returns
4. Recapture notices (NOT refundable)



Reverse Annuity Mortgages (RAM loans)

- Helps lower income elderly Montanan's
 - Convert equity in home to income for 10 years
 - Use income for medications, food or fun
 - 5% fixed rate on the growing balance



Benefits and Considerations

- **Ownership is retained**
- **Spouse may remain in home, payments continue up to ten years**
- **Small closing costs**
- **Loan repaid to MBOH upon sale of home**
- **Net proceeds payable per owner's wishes**



How Does RAM Work?

- **Receive 80% of home's appraised value (up to \$150,000 and no less than \$15,000).**
- **Receive \$30,000 lump sum payment in the beginning. (One time only upon closing.)**
- **Receive payments for 10 years or as long as home is occupied.**

And That Means...

Ten Year Payment Period

<u>Appraised Value</u>	<u>Maximum Loan</u>	<u>Payment</u>	<u>Sum of Monthly Loan Payments</u>
\$125,000	\$100,000	\$631	\$76, 717
87,500	70,000	448	53,871
81,250	65,000	417	50,023
75,500	50,000	320	38,400

Monthly payments are NON-TAXABLE

How to Apply for a RAM loan



- **Contact Montana Board of Housing**
- **Phone 1-800-761-6264 or 406-841-2812**
- **Ask for Justin**

http://housing.mt.gov/Hous_BOH_Ed.asp

- **Or Contact Office on Aging**
- **Phone 1-800-332-2272 or 406-444-7784**
- **Ask for John**

Questions on MBOH Programs?

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